International Trade And Business Practices: A Comparative Attempt In The Apparel Market

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The Greek apparel industry: a brief overview

The apparel industry is an important branch of Greek manufacturing, with a significant contribution to production, employment and exports.

According to data from the Chamber of Commerce in the apparel industry in Greece includes some 437 companies. It employs 14,257 workers, i.e. 8.1% of the annual average employment of the aggregate Greek industry employment. During 1995-2002, the industrial production sector decay rate of 3.2% annually. Estimated, however, that the index of industrial production in 2003 was a much smaller decline of 0.7%. It is worth noting that a significant share of the production industry has a system of outward processing (outsourcing), estimated that about 12% of the production is done with this method. In recent years, there is a significant reduction in the number of businesses operating in the production of clothing. More specifically, in 2002, companies reduced to 470. A similar trend followed the average annual employment, recording rate reduction of 8.3% annually. Despite the decline in employment, average wage in this sector increased by 8.7% per year on average, offsetting to some extent the general downturn in the industry.

Globalization has greatly influenced the clothing industry, and led to the development of subcontracting (facon), method by which the business units of the developed countries split the stages of their production process and outsource labor-intensive stages in companies operating in developing countries where labor costs are low.

Under pressure from labor costs, the Greek garment industry had since early 2000 to make moves that would allow it to maintain its competitive position. A path followed by quite a number of Greek companies was to establish production facilities in the Balkan countries. This offered a large production base at low cost. To date, a significant number of Greek companies have implemented all the labor-intensive activities (sewing-box) in the neighboring Balkan countries and their number is growing. It is estimated that today, more than 200 Greek businesses active clothing in the Balkans.

To increase competitiveness, Greek apparel companies consolidated their activities both in terms of geographic location, as well as the object of their work. Greece is a country with a tradition of producing knitted garments, whereas constant wear has a rather limited activity. The overwhelming proportion of the apparel business is located in Northern Greece and especially in the area of Thessaloniki. The concentration of industry in northern Greece is also due to the incentives provided by the Greek government in the framework of the Development Laws, geographic proximity to the Balkan countries and availability of skilled work force.

The Greek apparel is a tough arena for Greek companies among themselves, but moreover, the industry as a whole faces fierce competition from multinational brands (brand name) with high recognition.

The strategies followed are based mainly on product differentiation through pricing and advertising. Distribution network enlargement plays also a significant role in strengthening individual company's positioning in the industry. A number of companies expanded through branching and others through franchising. Some of them sought also cooperations with major international companies. The sales network expansion was both within the country, as well as in other Balkan countries.

The main problem hindering this evolution is that the industry is fragmented in many small businesses, mainly family owned with poor and inefficient administration (organization, planning, etc.), production plants are small and cannot develop scale advantages, and in some cases production lines do not consist of state-of-the-art equipment, due to poor investment rates.

Still, there is room for growth in the sector, even in this crisis period. Lessons can be taken from established international brands.

The international experience: a comparative attempt of three successful international companies

Since the 60s the apparel market has gradually become more open and offers more possibilities to new entrants. Globalisation ignited this process, which in return allowed the recent and quick development of giants in the apparel business. The paper makes a comparative review of three well established brands in Greece and the rest of the world: Benetton, H&M and ZARA. The paper studies the background, business structure, culture and business model of the above companies. It concentrates on Benetton, as this company is close to Greek companies in the sense that it has a family-owned structure, originates from a neighbouring Mediterranean country, and is specialising on knitted garments, an area of specialization of most Greek apparel business.

The paper reviews the company background, and addresses its early success, studies market evolution and compares to peers.

Methodologically the paper uses Porter's five forces and a SWOT analysis.

Benetton Group S.p.A.

Company Profile

Benetton Group S.p.A. manufactures and retails clothing, sportswear and accessories for men, women and children, with a global brand name (United Colours of Benetton) and with the Sisley, Killer loop and Playlike brands. The company markets its products worldwide, with Europe being the main market. Benetton still distributes most of its casualwear and sportswear products through a network of franchising partners, but has recently embarked on a direct retailing strategy with the opening of directly operated stores and megastores. The Benetton family is the core shareholder.

Market evolution

One of the tools to evaluate market evolution is Porter's 5 forces analysis. It is a framework for the industry analysis and business strategy development. It used concepts of Organisational Economics to derive 5 forces that determine the competitive intensity and therefore attractiveness of a market. Attractiveness in this context refers to the overall industry profitability. An "unattractive" industry is one where the combination of forces acts to drive down overall profitability.

Companies can achieve competitive advantages essentially by differentiating their products and services from those of competitors and through low costs. Firms can target their products by a broad target, thereby covering most of the marketplace, or they can focus on a narrow target in the market. According to Porter, there are three generic strategies that a company can undertake to attain competitive advantage: cost leadership, differentiation, and focus.

60s	**MARKET ENTRANTS**	**Today**
More barriers as technology concentrated in industrialised countries.		Less barriers as technology diffused to emerging countries.
More barriers as capital concentrated in industrialised countries.		Less barriers as capital available also in emerging countries.
More barriers due to trade regulation and tariffs.		Less barriers due to freer trade.
More barriers as single currencies do not allow unified and transparent pricing.		Less barriers as the market is more transparent.
More barriers due to national taste and dress codes.		Less barriers in a globalised taste and dress code.

Since the 60s the market is more open and offers more possibilities to new entrants. This is also the reason for the recent and quick development of new giants in the apparel business, rivals to Benetton as H&M and ZARA.

60s	**Supplier Power**	**Today**
Less suppliers due trade regulations and technology, cost of capital and capital intensity to produce yarns and other resources to the apparel business.		Larger number of competing suppliers in raw materials and semi-finished products.
Higher prices due to weaker competition.		Strong completion and more transparent pricing as well as communications limit the power of suppliers.
Raw materials mainly natural eg cotton, wool and linen.		More variety in raw materials with a number of synthetic ones, limits the power of suppliers.
Geographically limited suppliers because of the cold war political context.		Ex centralised economies with emphasis on capital goods are now producers of consumer industry resources.
More barriers due to national taste and dress codes.		Less barriers in a globalised taste and dress code.

The power of suppliers is less nowadays as technology is diffused, cost of capital is lower, knowhow is available to a larger number of countries and monetary and communications conditions allow for a more transparent market, hence pushing the power of suppliers to the apparel down.

60s	Buyer Power	Today
Fragmented smaller national markets limited the choice possibilities of buyers.		Globalised markets provide more choice and hence increase the power of the buyers.
Tariffs and trade regulation protected the apparel business in terms of pricing and quality offered.		Free trade in a global environment empowers buyers through price and quality choices.
Limited communications resulted in less buyer awareness.		Internet and extensive travelling increases the awareness of the buyers.
A post war recovering world economy does not provide a high economic income per capita, and other more basic needs have priority over consumer items.		Basic needs well covered in a large number of countries, as a result of prolonged piece and development. Average higher income per capita, more widely and equally distributed increases buyer potential and his power.
Size of markets is smaller due to politics (closed up countries) and demographics.		Bigger market due to openness, larger populations, more age-groups markets (incl seniors and younger people).
Less mature buyers due to general social conditions, incl education, income, information.		More demanding and taste aware buyers, empowered also by more democracy.
A lot of home and tailor-made garments due to the less developed prêt-a porter manufacturing and limited distribution channels.		Distribution brings proximity, possibility to purchase but also to compare and empowers both buyers and distributors.
National currencies limit comparison possibilities and competition, and increase arbitrage gains for apparel business.		The euro and an integrated EU market empowers buyers with transparency of price.

Over the years the buyers' power has increased considerably due to economic, political, social, educational, demographic and monetary reasons.

60s	SUBSTITUTES	Today
More home made and tailor-made garments as labor was cheaper, women had more time, habits were different.		Less possibilities to substitute apparel business products.
Mainly natural fibres garments.		Possibilities for garments from new technological fibres.
Almost no leisure dressing.		Possibilities to substitute garments of one sort with other sorts ie business with more casual, evening with leisure etc.

There are no real substitutes for apparel, but there is increased possibility to substitute one type of garment with another. Apparel can thus find itself competing with sports manufactures etc.

60s	Competitive Rivalry	Today
Large number of smaller firms operating at national or regional level, with few at international level.		Fewer number of bigger firms, operating internationally in an integrated way, vertical and horizontal integration.
Smaller aggregate industry size.		Big aggregate industry size with expanding trend.
More labor intensive.		More capital intensive with hi-tech applications for agile service and lean inventories.
Emphasis on quality or price.		Emphasis on quality and price.
Distribution through multi-brand stores.		Distribution through megastores, one-label stores and internet developing.

Over the years there is a concentration in the industry, with fewer, bigger and global players. They are now all at different degrees integrated vertically and/or horizontally. Hi-tech breakthroughs can make the difference for agile and lean service to the customer, so as to minimise lead-times while trying at the same time to emphasise quality and price. The current economic crisis if it persists will minimise the possibility of differentiation based on service. The model 'quality and price' will persist with quality to give in if the impact of the crisis is severe and overtime. The model of 'integrated approach' might though change as a consequence, with companies sticking to core.

The Porter analysis above showed that the market has indeed changed with less barriers for entrants, semi- or quasi-substitute possibilities, very highly empowered buyers, and fierce competition on more or less the same model of 'quick response' and 'fast fashion' with fine tuning differentiations.

As a consequence, the industry players tend to be the so called New Verticals, who apply complete outfits, short order and delivery cycles, weekly changing themes, focused consumer groups/young fashion. They keep the option open to invest in own sales channels if the concept turns out viable. They go along the business model of Zara, H&M and to a lesser extent Benetton (as this is quite differentiated from the two former ones).

Brand reputation became crucial, and therefore, private label producers, and companies that do not offer complete collections ("outfits"), but only cover special product categories are strongly put under pressure. Benetton has been initially affected by the change in industry among other things because of the latter point, i.e. not offering complete collections.

A comparison of peers: the business models of Benetton, H&M and Zara

In brief an overview of the business models of the three peers is shown at the table below:

Success factors of international fashion retailers	**BENETTON**	**H&M**	**Zara**
Target foreign market selection	International 120 countries.	Emphasis on EU markets and North America: 14 countries.	International 29 countries.
Enter marketing strategy	Direct entry by opening franchises before and now company managed stores(60 megastores) and franchised stores average size 1290 sq ft before and 10765 now. **Annual revenue/sq ft: $ 0.00026**	Direct entry by opening store with franchise agreement but managed directly. 700 stores of average 7535 sq ft. **Annual revenue/sq ft: $ 0.0004**	Direct entry by opening mainly company managed stores. 450 stores of average 8070 sq ft. **Annual revenue/sq ft: $ 0.0005**
Timing entry into the new market	Entering a new market depended on the results of market research.	Timing of entry depends on the political and economical stability of selected countries.	Start with a small number of stores to explore the possibilities of a specific country.
Recognition of the company and brands	The main goals are recognition of the name of the company and its retail brands.	Collaboration with prominent fashion designers (Karl Lagerfeld, Stella McCartney).	By opening new international stores with specific sales format.
Analyse local markets and competitor	Monitor and analyse local retailer competitors.	Monitoring the actions of their local competitors.	Monitoring the actions of their local competitors.

Marketing support in a global market	United Colors of Benetton global communications champagne.	From neighbouring countries using the current H&M wholly-owned subsidiary model.	'Word-of-mouth'. Each format is carried out through chains of stores managed directly by companies.
The location selection	A Benetton store is on most prominent shopping streets and large shopping centers.	An H&M store is on most prominent shopping streets.	In the centres of cities
Diversity of selling assortment	Assortment depending on factors such as location, size of store and customer flow in the area.	Assortment depending on factors such as location, size of store and customer flow in the area. A broad and varied range of fashions for the whole family.	Close attention paid to continuous data on customer needs and wants, and these are answered with clear market segmentation and product differentiation.
Employee	Local sales staff.	Local sales staff.	Local sales staff.
Price policy	Benetton uses a market-oriented target pricing system in all markets.	H&M has attempted to differentiate its brand from competitors through a discounting position.	Zara uses a market-oriented target pricing system in all markets.
Sales promotion	Mostly shopping discounts.	Mostly shopping discounts.	Mostly shopping discounts.
Organization and control business activity	Corporate management is based at head office in Treviso.	Corporate management is based at H&M's head office in Stockholm. Fifteen regional country offices are responsible for the various departments in each sales country.	Corporate management is based at Inditex head office in La Coruńa.
Lead times	Larger volumes longer life-cycle articles.	21 days low volumes short life-cycle articles.	15 days low volumes short life-cycle articles.
Production	Outsourcing in SMEs in I and elsewhere.	Complete outsourcing.	Mostly inhouse production and outsourcing in neighbouring areas (E, P).

The more explicit comparison of the 3 business models above shows also that Benetton extending very widely geographically in 120 countries compared to 14 and 29 for H&M and Zara, had to rely on a rather solely franchised network, and a global advertising champagne. The retail network in this sense could not be integrated in the organisational culture for promoting the company's vision and feeding back the company with market trends. It was rather loosely linked to the company with some guidance and support to a much lesser extent than the other two peers.

Feedback was not quick as to react to market trends, and product lifecycles longer. Moreover the global champagne backfired often as it could not take account of national particularities and cultures. The approach of new markets was not careful and solid enough at the entrance compared with its peers. Moreover, smaller shops originally did not allow for full outfit, full age range collections. A comparison of average revenue per sq foot of store shows that Benetton is 50% lower than its peers (cf table above). Given that as far as production is concerned, H&M outsources totally whereas Zara keeps rather control of in-house mostly production and Benetton keeps control by outsourcing in neighbouring areas, we conclude that production did not play a particular role in the lower profitability of Benetton compared to its peers.

This is confirmed by the financial analysis of Infinancials below showing that Benetton although cheaper than its peers, grows less, although it takes more risks. This supports the conclusion above that the geographical extension, loose network, not rightly sized stores and longer product-cycles are the origins of the lower profitability of the company compared to its peers.

The Growth Score for Benetton is 2.4 /10. The Growth Score for its peergroup is 4.3 /10. This means that Benetton has lower growth than its peers.	The Profitability Score for Benetton is 6.1 /10. The Profitability Score for its peergroup is 6.8 /10. This means that Benetton is slightly less profitable compared to its peers.
The Value Score for Benetton is 5.5 /10. The Value Score for its peergroup is 4.0 /10. This means that Benetton is cheaper than its Peers.	The Risk Free Score for Benetton is 4.8 /10. The Risk Free Score for its peergroup is 5.5 /10. This means that Benetton is slightly more risky compared to its peers.

Source: Infinancials

Improving company position using a SWOT analysis

For performing a SWOT analysis one needs defining first a desired end state or objective, otherwise the analysis runs the risk of being useless. **For this paper's purposes, the ultimate goal of Benetton has been set as follows: "to remain is to remain in the clothing business and restore profitability".**

Strengths	**Weaknesses**	**Opportunities**	**Threats**
Wide international expertise.	Loose control of distribution and retail network.	Globalised and integrated markets. Big upcoming emerging markets.	Weak industry barriers.
Established brand-name and public awareness internationally.	Controversial image in some countries.	Basis for turning the negative into positive image.	Social groupings empowerment.
Expertise at HITECH use in production and relative control over production.	Long product lifecycle.	Possibility to increase and/or diversify easily with no extra fixed assets costs production.	Possibly higher production costs than peers if not outsourcing.
Good basic business model.	Retailing in small, non all inclusive shops.	Relatively easy to adapt business model, without extreme financial cost.	Important market shares already taken by peers.
Coherent family ownership.	Slow in adapting to industry and market changes.	Public open again to accept family rags-to-riches stories.	'Schadenfreude' in case of failure.

Based on the the Porter and SWOT analysis efforts to increase profitability have to focus on the 'customer value' concept efforts, avoiding hence to 'be caught in the middle'.

According to Porter, a company's failure to make a choice between cost leadership and differentiation means that the company is stuck in the middle. Porter suggests that there is no competitive advantage for a company that is stuck in the middle and the result is often poor financial performance. However, there is disagreement between scholars on this aspect of the analysis. Kay and Miller have cited empirical examples of successful companies like Toyota and Benetton in its early days, which have adopted more than one generic strategy. Both these companies used the generic strategies of differentiation and low cost simultaneously, which led to the success of the companies.

Benetton has to follow the route of increasing profitability by increasing customer value, given the known 'Customer Value - Profitability/ Shareholder Value Link'.

The customer's "win" is the difference between the benefits the customer derives from the product or service and the price he or she pays for it. This is the customer surplus, or "value to the customer".

As shown in the diagramme below on price-fashion positioning, Benetton is lagging behind its peers in terms of “value to customer”, as price is higher and fashin benefit lower than both H&M as well as Zara.

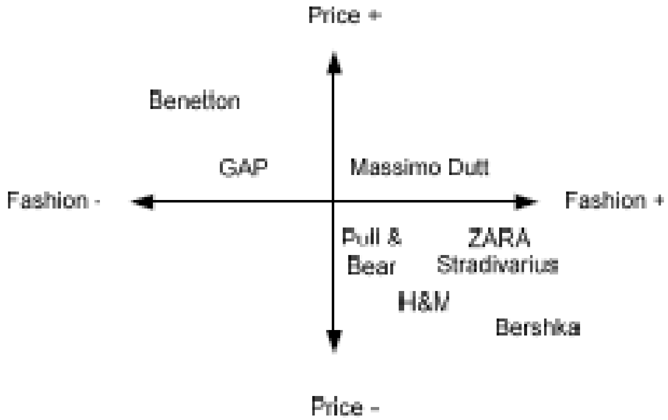

Figure 5.5: Price-fashion brand positioning.

Source: Ghemawat and Nueno, (2006), Ferdows and Lewis, (2002).

For avoiding getting caught in the middle Benetton and based on the SWOT analysis above, Benetton should concentrate in improving ‘fashion’ for improving its ‘value to customer’. In the apparel business fashion increases with Quick Response (QR) strategies or ‘fast fashion’, as shown in the table below.

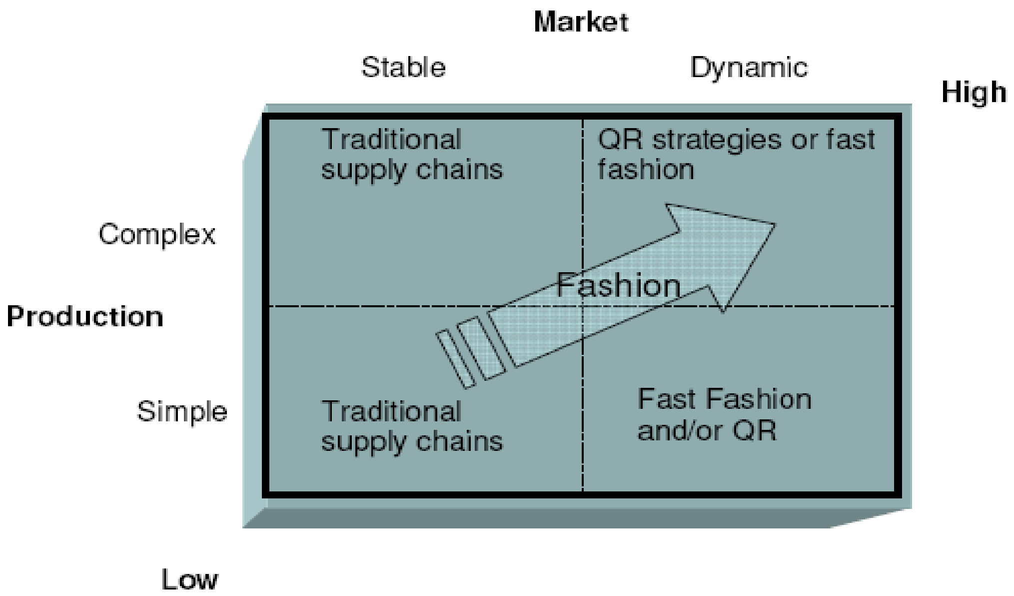

Figure 4.6: Apparel supply chains.

Source: Hines, (2007b)

‘Quick fashion’ is directly linked to the supply chain. Traditional supply chain approaches are more effective in stable market conditions, characterised by high predictability. As the market becomes more dynamic in terms of volatility and the production more complex (ie offshore production-longer lead times, tariffs, special fabric purchases, additional design content), QR or fast fashion strategies are required.

All three peers, Zara, H&M & Benetton are in the 'fast fashion' business mode, which has different attributes than traditional retailing, as shown below:

Attributes	Traditional retailing	Fast fashion retailing
Supply strategy	Focus on efficiency in terms of managing great volumes at the minimum total cost.	Focus on demand responsiveness by managing lower volumes. Information about demand is captured via store data
Manufacturing strategy	Outsourcing to several contractors driven by price evaluation. No high control of the supply chain.	High management and control of all operations and the supply chain by focusing on vertical integration among the chain partners.
Lead times	Long lead times. For example 12-16 weeks fabric, 6-10 weeks garment production, 2-3 weeks shipping.	Short lead times. Some lines 8-10 days. For the majority 15 days covering the shipment to the sale points.
Demand information	Forecasting prior to the selling season	Forecasting closely to the selling season in combination with up-to-date data exchange from the stores backward.
Replenishment	Automatic replenishment of the stock levels based on earlier agreed contract prices with the suppliers	No replenishment. Frequent change of the assortments with new styles.
Design process	Based on 18-24 months prior to the selling season forecasting data	"Knock-offs". Based on fashion shows, digital photography and via IT forward this information back to the design team to evaluate cost and develop samples.
Fabric	Use of specialist fabrics with 12-16 weeks lead time and pre-booked production	Use of standard "greige" fabrics, dyed them in the trends colors after latest information on the seasonal demand.

Table 4.3: Differences between traditional and "fast fashion" retailing.

Source: Hines, (2007).

All three are aiming in achieving benefits of lean and agile fashion provision. The main motive to achieve the leagile is to react fasted on the changing demand.

<u>International expansion. Cloning the Italian model: Geographical appropriateness and future prospects</u>

The company was incorporated in 1965 as Maglificio di Ponzano Veneto dei Fratelli Benetton, with Luciano as chairman, his brother Gilberto in charge of administration, their younger brother Carlo running production, and Giuliana as chief designer.

To attract attention to their sweaters, Luciano decided to sell directly to the consumer through specialized knitwear shops rather than to retail outlets that sold competing products. This decision formed the basis for the Benetton retail outlets, which sell the Benetton line exclusively; the first such store was opened in 1968 in Belluno in the Italian Alps. The following year, the company opened its first shop in Paris. Luciano thought that it would be a challenge to bring Italian fashion to the sophisticated Paris market, but if Benetton was successful there, Benetton could make it anywhere.

In 1984, 55% of Benetton's $303 million in sales was generated from foreign turnover, outperforming domestic sales for the first time. The United States became Benetton's fastest growing market by early 1985, boosting sales by 35%. Retail operations also were opened in Eastern Europe--Budapest in March and Prague in September--marking the opening of the first shop by a Western manufacturer since 1948. Following a corporate reorganization in December 1985, the company was renamed Benetton Group S.p.A. It was now one of the world's largest garment producers, with four factories in Italy and one each in France, Spain, Scotland, and North Carolina, and an annual production growth rate of about 30%.

In some 20 years Benetton stretched its activity in 120 countries. It has the largest geographic diversification from all peers. The company grew very fast also because of a loose link concept utilised for building its franchise network. Storeowners do not pay Benetton any fees or other consideration for establishing a Benetton store or for use of the Company's trade-names, nor do they pay any royalty based on a percentage of sales or profits. The storeowners are authorized to display and sell Benetton goods, for which the company provides suggested guidelines. This led the company to lose control over its most precious asset, i.e. its contact points with the customer. Of course franchisers have been supported through a global and intense advertisement champagne and logistic links to Treviso headquarters but the geographic diversification was too much and the structure too loose as for the company to keep control of the contact with the customer. This is turn led in losing touch with the market, which because of low entrance barriers, was quickly conquered by rivals, such as Zara and H&M. Benetton used its retail model conceived originally for Italy, as it allowed for its quick and diversified expansion.

As a result of this rapid expansion, Benetton revealed disconnection and inconsistency, in the conceptual and strategic relationships between corporate identity, organizational identity and ethics. It also showed a failure to communicate ethical values and socially responsible attributes throughout organizational identity, as literature reveals after reviewing employees, retail environments, and trade events express ethical aspects of their well-known corporate identity.

Losing ground on growth and profitability, the company has already reviewed its expansion and retail policy, and aims to convert to its peers with a new concept of megastores.

The megastore concept serves also to strengthen Benetton’s image and its market share. The investment program involves the purchase or leasing of retail locations, characterized by their large dimensions and prestigious location in city centres and shopping malls. The accelerated network renewal activity brought the result of 87 directly operated shops and of 153 megastores at the end of 2002. Megastores are run by either Benetton or by third parties. Refurbished in order to house the complete men, women and children's casual wear collection, megastores offer the entire range of Benetton style and quality.

Difference in Lean and Agile

Lean

- Containing little fat
- Product oriented
- Reduce stock to minimum
- Plan ahead
- Satisfy customers by eliminating waste
- Measuring output criteria: Quality, Cost and Delivery
- Low Cost
- Efficiency
- Less flexible
- Low variety

Agile

- Nimble
- Customer oriented
- Reducing stock in not an issue
- Unpredictable demand planning
- Satisfy customers by configuring order
- Measure output Criteria: Customer satisfaction
- High Cost
- Effectiveness
- High flexible
- High variety

This requires a better control and view of inventory levels across the network, enable sales and replenishment planning across the internal and external network. All three companies, Zara, Benetton and H&M, took a different approach to marring the lean and agile but the overall purpose is the same; “Supply Fashion Fast” with lowest possible price and highest degree of quality.

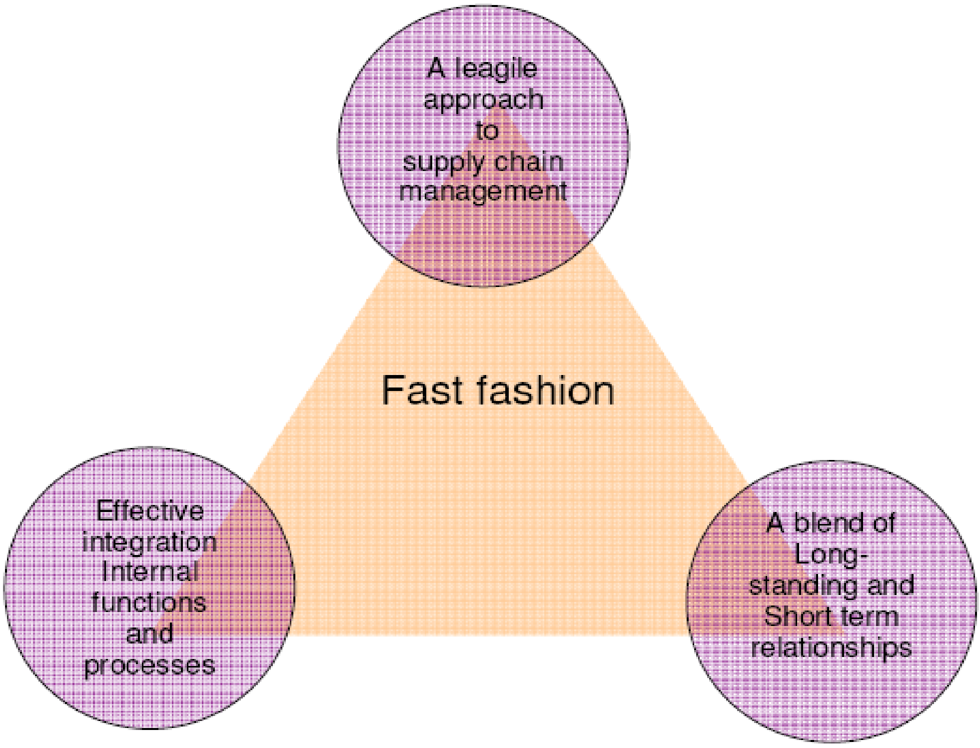

Figure 4.15: Sourcing model for fast fashion.
Source: Bruce and Daly, (2006).

Also in the literature review, it was found that the main supply chain solutions in the fashion industry are based on quick response, fast fashion and legible concepts. All these approaches, including IT applications, manufacturing and sourcing activities as well as logistics operations, along with effective marketing policies achieve successful and efficient responses to consumer demand.

Based on the Porter and SWOT analyses above, Benetton has to improve on this model vis-a-vis his peers mainly as far its marketing policies are concerned, for increasing its Customer Value, by mitigating its weakness. The major actions suggested are:

Strengths	**Weaknesses**	**Suggested action**	**Context Opportunities used/Threats avoided**
Wide international expertise.	Loose control of distribution and retail network.	Strengthen its corporate culture and links with its immense franchise network (build stronger support and feedback mechanisms between retailers and Benetton)	Concentrate on its core markets (Italy and rest of Europe where it makes 87% of its turnover) but keep its presence mainly in Asia for the upcoming emerging markets, especially in view of the weak industry barriers.
Established brand-name and public awareness internationally.	Controversial image in some countries.	Use more its strengthened links with retailers and turn to positive ads avoiding controversies.	Build on its existing public awareness but turn image into positive avoiding social inertia.
Expertise at HITECH use in production and relative control over production.	Long product lifecycle.	Use its flexible SME supply network and strengthened links with retailers to go FASHION FASTER.	Selectively outsource but keep supply control for quality and FASTER FASHION keeping costs low.

Good basic business model.	Retailing in small, non all inclusive shops.	Go to full range retail outlets of similar average size as peers, possibly with company control. A cautious approach, carefully selecting flagship stores (country/location) building on its strengths will over time create momentum. For control with limited capital cost involvement try to build joint ventures.	Slowly consolidate position in the market.
Coherent family ownership.	Slow in adapting to industry and market changes.	Associate professional management.	Keep low profile in terms of ownership structure.

The suggested action above implies the following type of expenses:

Mostly variable, human resources/and/or subcontracting expenses for:

- Associating top professional management.
- Adding human resources for strengthening its corporate culture and links with its immense franchise network (build stronger support and feedback mechanisms between retailers and Benetton) and using its strengthened links with retailers and turn to positive ads avoiding controversies.

Fixed asset capital expenditure for:

Bigger full range retail outlets of similar average size as peers, possibly with company control.

The suggested though cautious approach, possibly through building joint ventures, can keep capex at reasonable levels. For persuading business associates to join in as partners in such outlets, one or two pilot, flagship projects with full ownership control can help demonstrate performance and provide the necessary convincing arguments.

An analysis of the company's financial parameters for 2005 as shown in Appendix 1 shows a solid financial basis, with room to integrate the suggested above capex plans:

Strong capitalisation as shown in total equity/ total assets of 0.53%, coupled with net debt/equity of 27.5%, and net interest cover of 6.8 in combination of a comfortable free from capex cashflow of 254. Investing financing cashflow-112, which could easily be turned into capex. While capex increase seems necessary as capex/sales is at 6.9% and capex/depreciation at 1.5. Growth at 4.7% and ROE at 9.0%.

Conclusions

The timely expansion of the Greek apparel business to neithbourouring Balkan countries, can assist them know during the crisis not only to survive, but even expand further. Appropriate analysis of the market and each companies strengths and weaknesses, as well as a critical approach to their current business model, can assist them to find the appropriate way forward, hoping that the methodology and review of this paper can be of assistance.